

Mr. Richard P. Brummel  
August 4, 1992  
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3. Provider Appeals

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The reimbursement methodology change for inpatient hospital services has met the public notice requirements.

6. Rates Paid

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The State assures that the Medicaid agency pays for inpatient hospital services using rates determined in accordance with methods and standards specified in an approved State plan.

7. Related Information

42 CFR 447.255

The average payment rate is expected to be \$2,637 per discharge in FY 1992. This is a decrease of 5.9% from FY 1991, primarily due to the rebasing and recalibration of the DRG system. Despite this reduction, the majority of hospitals received increases in their base payment rates.

Considering the estimated cost of the inpatient portion of allowances and discounts as well as the cost of Medicaid/MediKan services, about 104% of cost is expected to be reimbursed by Medicaid, MediKan and disproportionate share payments in FY 1992 to hospitals eligible for disproportionate share payments. This is based upon the best information available from the Medicare cost reports and Medicaid paid claims.

Both the short-term and long-term effect of these changes are estimated:

1. To maintain the availability of services on a statewide and geographic area basis;
2. To maintain the type of care furnished;
3. To maintain the extent of provider participation; and
4. To increase the degree to which costs are covered in hospitals that serve a disproportionate number of low income patients with special needs.

Sincerely,

  
Donna L. Whiteman  
Secretary

DLW:RLE:pm  
cc: Steve Otto  
Refers to MS-91-37.



JOAN FINNEY, GOVERNOR OF THE STATE OF KANSAS

**KANSAS DEPARTMENT OF SOCIAL  
AND REHABILITATION SERVICES**

DONNA WHITEMAN, SECRETARY

August 12, 1992

Mr. Richard P. Brummel  
Associate Regional Administrator  
for Division of Medicaid  
Room 227, Federal Office Building  
601 East 12th Street  
Kansas City, Missouri 64106

Dear Mr. Brummel:

In response to your letter dated December 2, 1991, regarding disproportionate share hospital payment methodology (MS-91-29), Kansas submits the following additional information.

1. 42 CFR 447.250ff.

Kansas assures that capital related costs due solely to a change of ownership which occurs on or after July 18, 1984, will not increase payment rates to providers in excess of the amount that would be permitted under the provision of Section 1861 (v)(1)(0) of the Act.

2. 42 CFR 447.253 (b)(2)(1).

Kansas assures that payment rates are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal Laws, regulations, and quality and safety standards.

3. 42 CFR 447.253 (b)(1)(ii)(B).

Kansas assures that services furnished to hospital inpatients who require a lower covered level of care such as skilled nursing or intermediate care services are paid at rates lower than those for inpatient hospital level of care services.

4. 42 CFR 447.253 (b)(1)(ii)(C).

Kansas assures that payment rates are adequate to assure that recipients have reasonable access, taking into account geographic location and reasonable travel time, to inpatient hospital services of adequate quality.

5. 42 CFR 447.253 (b)(2) and 447.272.

Kansas assures that payment rates do not exceed the upper payment limits as specified in 42 CFR 447.272.

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

6. Public Notice and Related Information.

Amendment MS-91-29 changes the State Plan by specifically excluding outpatient and including Medikan. Public notice of these changes was given on August 15, 1991. Therefore, the effective date of this plan is August 16, 1991.

During the time when the State Plan was being prepared, it was noticed that several hospitals had not filled in the forms for FY 1990 and FY 1991 completely. In particular, they left off the contractual allowances figure. Other hospitals submitted this figure, and it had been used in accordance with the Plan for FY 1990 and FY 1991. Verification was made to insure that an appropriate figure was to be included for the contractual allowances based upon the cost reports submitted to Medicare. The disproportionate share determinations were recomputed for FY 1990 and FY 1991 using this updated information and this is in process of being submitted to HCFA. With these new computations, the amount of disproportionate share based on a per hospital basis is expected to decline from FY 1991 to FY 1992. The decline is approximately 20%. While this may still seem like a substantial change, all computations are updated each year, using new Medicaid payment levels, contractual allowances, etc. Any changes in the data at individual hospitals certainly affect the amount of the disproportionate payment, but there was no methodology change which affects either how eligibility is determined or how the payment amount is determined.

7. Short or Long Term Effect on the Availability of Services.

This plan submittal will not change the availability of services as the methodology for computing disproportionate share payments has not changed. Without disproportionate share payments, services to low income and indigent clients would be affected.

8. Type of Care Furnished.

This plan submitted will not change the type of care furnished as the methodology for computing disproportionate share payments has not changed.

9. Extent of Provider Participation.

Disproportionate share funds are critical for the continued existence of hospitals which serve the low income, as these funds offset the costs of clients who cannot pay for their care.

10. Degree to which costs are covered in Hospitals that serve a Disproportionate number of Low Income Patients with Special Needs.

It is estimated that the continuation of the same methodology will result in the aggregate payment of 100% of the costs of low income patients with special needs at those hospitals eligible for disproportionate share.

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11. Disproportionate Share Hospitals Formula Questions.

Federal law allows for variations in methodology, provided that at least all hospitals which meet the law requirements will also meet the State methodology. Kansas has made three adjustments to the specific formula in the law which continue to meet the law requirements. These changes are:


1. The exclusion of outpatient. By itself, this tends to reduce the likelihood of eligibility for any one hospital.
2. The inclusion of the MediKan program in addition to Medicaid. This was done as a better proxy (in addition to Medicaid) to identify which hospitals serve low income patients. By itself, this tends to increase the likelihood of eligibility for any one hospital.
3. The adjustment for contractual allowances in the formula. This adjustment was also made to identify which hospitals serve low income patients. By itself, this tends to increase the likelihood of eligibility for any one hospital.

Based upon a review of available data, the adjustments we have made would always result in our compliance with the law. In any case where there was any reduction due to the exclusion of the outpatient area, there is at least an equivalent increase due to the inclusion of MediKan and the contractual allowances adjustment. This question only affects the eligibility of hospitals and we are certain that our methodology does not result in any hospital being ineligible due to the changes which we have made.

Because of the above, we do not propose any changes in the formula such as you suggest. If the suggestions you made were included, and the other adjustments which we have made were retained, it would increase the amount of the payments which would be made for disproportionate share.

It is hoped that this additional information will expedite the approval of MS-91-29. Any further questions may be directed to Tina Hayes at 296-3981.

Sincerely,

  
Donna L. Whiteman  
Secretary

DLW:RLE:JCS:TAH:pm

Attachment

cc: Steve Otto



## STATE OF KANSAS

### DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

915 S.W. Harrison, Docking State Office Building, Topeka, Kansas 66612-1570

JOAN FINNEY, Governor

January 14, 1992

Mr. Richard P. Brummel  
Associate Regional Administrator  
for Division of Medicaid  
Room 227, Federal Office Building  
601 East 12th Street  
Kansas City, Missouri 64106

Dear Mr. Brummel:

In accordance with 42 CFR 447.253 the Department of Social and Rehabilitation Services submits the following assurances related to Kansas Medicaid payments for general hospital services. This assurance relates to MS-92-03 regarding the reimbursement methodology for general hospital inpatient services.

#### 1. Payment Rates

##### 42 CFR 447.253 (b)(1)(i)

Payment rates are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers to provide services in conformity with applicable State and Federal laws, regulations, and quality and safety standards.

##### 42 CFR 447.253 (b)(1)(ii)(A)

The methods and standards used to determine payment rates take into account the situations of hospitals which serve a disproportionate number of low income patients with special needs. Hospitals are determined to be disproportionate share hospitals and payments are computed according to the methodology described in Attachment 4.19-A, Section 6.0000.

##### 42 CFR 447.253 (b)(1)(ii)(B)

Services furnished to hospital inpatients who require a lower covered level of care such as skilled nursing or intermediate care services are paid at rates lower than those for inpatient hospital level of care services.

##### 42 CFR 447.253 (b)(1)(ii)(C)

The payment rates are adequate to assure that recipients have reasonable access, taking into account geographic location and reasonable travel time, to inpatient hospital services of adequate quality.

##### Social Security Act, Section 1902(a)(13)(B)

Kansas assures that payment rates to providers will not be increased by capital-related costs due solely to a change in ownership which occurs on or after July 18, 1984, in excess of the amount that would be permitted under the provision of Section 18161(v)(2)(O) of the Act.

#### 2. Upper Payment Limits

##### 42 CFR 447.253 (b)(2)

The payment rates do not exceed the upper payment limits as specified in 42 CFR 447.272.

Refers to MS-92-03.

State Plan TMS \_\_\_\_\_ Effective Date 01/01/92  
Supersedes TMS \_\_\_\_\_ Approval Date 08/07/92

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Sincerely,

  
Donna L. Whiteman  
Secretary

DLW:RLE:brj

Refers to MS-92-03.

State Plan TEF \_\_\_\_\_

Revised TEF \_\_\_\_\_

Effective Date 01/01/92

Approval Date 08/07/92